

ECONOMIC DEVELOPMENT

House Commerce Committee

Wednesday, March 8, 2017

8:30 am, Room 544, LOB

Meeting Overview

- Brief History of Economic Development Goals and Tools from 1987 - Today
 - *Cindy Avrette, Legislative Analysis Division*
- Incentive Grant Programs
 - *Dan Ettefagh, Bill Drafting Division*
- Policy Options to Align Economic Development Programs and Efforts with NCGA Priorities
 - *Brent Lane, Director, UNC Center for Competitive Economies*
 - *Report on Work with EDGE Strategy Workgroup*

Incentive:

A payment or concession to stimulate greater output or investment



Questions Learned in Grade School also Apply to Incentives

- Who?
- What?
- Why?
- When?
- Where?
- How?
- How much?

Initial Focus: Job Creation in Distressed Counties

Corporate Tax Rates

- 1987: 7%
- 1991: 7.75%, plus a surtax for taxable years 1991-1994
- 1997: 7.5%
- 1998: 7.25%
- 1999: 7%
- 2000: 6.9%

Corporate Tax Credit

- 1987: 20 counties
- 1989: 25 counties
- 1991: 33 counties
- 1993: 50 counties
- 1996: 100 counties



Shift in Focus: Economic Growth

Evolving Tax Credits

- Who?
 - All 100 counties
 - Different tiers
- How?
 - Different thresholds
 - Different credit amounts
- What?
 - Job creation
 - Investment in machinery & equipment
 - Worker training
 - Research & Development

Evolving Tax Incentives

- Plethora of other Tax Incentives
 - Sales tax exemptions
 - Specific income tax credits
- Creation and Expansion of Grant Programs
 - Job Development Investment Grant Program
 - One NC Fund
 - Utility Account

2009 Joint NCGA Study Committee

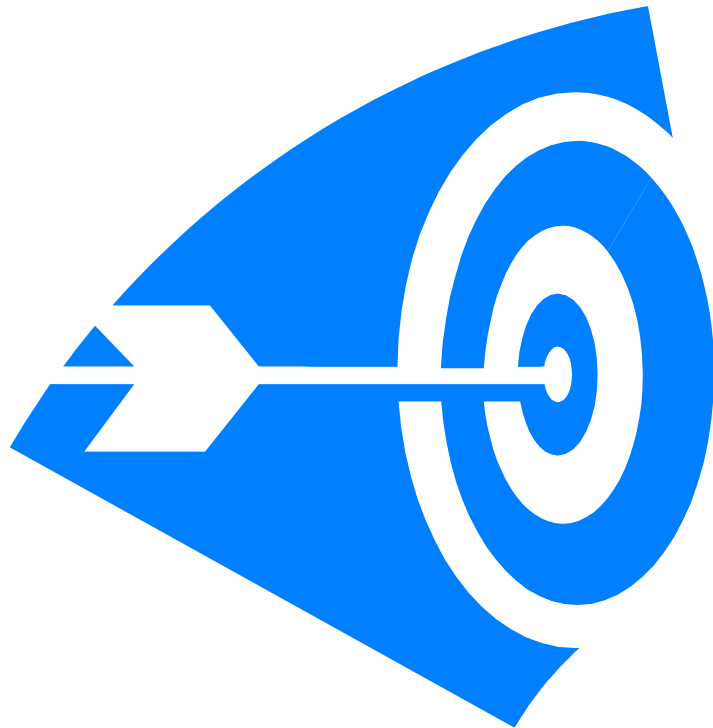
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- **Tax credit outcomes contrary to NC goals**
 - Majority of credits for investment in M&E
 - Majority of credits and grants to businesses located in wealthier counties
 - **Tax reduction a better strategy**
 - **Incent with grant programs b/c better able to target incentives & offer greater accountability**

Shift in Focus: Tax Reform (2014-2017)

- Reduced corporate tax rate from 6.9% to 3%
- Eliminated more than 25 tax credits and deductions
- Phased-in single sales factor apportionment over three years (2018)
- Simplified franchise tax base calculation



Shift in Focus: Uneven Economic Growth



- EDGE Committee
- Uneven economic growth in the State between urban regions and rural regions
- Grant Programs
 - What are they?
 - Who do they target?
 - How do they work?
 - How much do they cost?
 - Who do they benefit?